

**BOULT
CUMMINGS
CONNERS
& BERRY**
PLC

LAW OFFICES
414 UNION STREET, SUITE 600
POST OFFICE BOX 198062
NASHVILLE, TENNESSEE 37219

Jon E. Hastings
(615) 252-2306
Fax: (615) 252-6306
Email: jhasting@bccb.com

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TELEPHONE (615) 244-2582

FACSIMILE (615) 252-2380

INTERNET WEB <http://www.bccb.com/>

July 31, 1997

K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

**Re: Petition of AT&T Communications of the South Central States, Inc.
For Termination of Docket No. 95-02499 and Commencement of a
New Generic Contested Case Proceeding
Docket No. 97-00888**

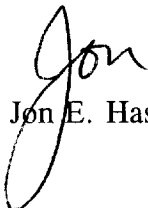
Dear David:

Enclosed please find an original and thirteen (13) copies of Comments of MCI Telecommunications Corporation which we would appreciate your filing in the above-referenced docket.

Thanking you for your assistance in this matter, I am

Very truly yours,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: 
Jon E. Hastings

JEH/th

cc: All Parties of Record

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THE
 DISTRICT COURT OF THE DISTRICT OF COLUMBIA

(U.S.) **Docket No. 97-00888**

RPORATION

In the Hearing Officer's Notice of Proposed Schedule and Request for Comments

Director Kyle, as Hearing Officer, noted that the Directors would like to allow

As MCI stated in its Response to the Notice of Contested Case and Hearing Officer Request in this Docket, the critical linchpin to the completion of the "Competition Trilogy"¹ is the determination of economic costs to provide the basic network elements utilized to provide basic residential services and switched access services. The determination of economic costs to provide basic residential services is necessary in order to quantify the subsidy, if any, necessary to maintain the "universal availability of reasonably affordable basic local exchange services." These three actions - establishing economic cost-based pricing for unbundled network elements, switched access services and establishing an explicit competitively neutral universal service funding mechanism - all require the selection of a cost model with appropriate inputs to determine the economic costs.

The Authority has the option to adopt its own cost model for use in implementing the Tennessee version of the "Competition Trilogy." This model must be consistent with the criteria specified in the FCC's Universal Service Order.² The Authority's other option is to choose not to adopt its own cost model, but rather to utilize the cost model adopted by the FCC.

If the Authority elects to adopt its own cost model, this model must reflect forward-looking economic costs, utilizing the least cost, most efficient technology to provide the network element or functions, and must provide for deaveraged costs at the serving wire center

¹The "Competition Trilogy" as described by the FCC in its First Report and Order implementing Section 251 of the Federal Telecommunications Act of 1996 involves establishing economic cost-based prices for unbundled network elements; determining universal service subsidy requirements; and reforming access charges.


²Report and Order issued In the Matter of Federal - State Joint Board on Universal Service, Docket No. 96-45.

level or below, i.e., census block group. The capability of the cost model selected to produce deaveraged costs is critical both to the determination of the universal service subsidy, if any, and to the establishment of cost-based prices for unbundled network elements. For universal service subsidy calculations, deaveraged costs at the wire center level or below will determine the geographic locations where a subsidy may be necessary in order to permit the Authority to target funding of any universal service support.

The decision whether to adopt its own cost model, or to look to the FCC's cost model, is a decision only the Authority can make. Once the Authority determines the cost model it will use to establish economic costs, the consequences of that action will lead to a logical resolution of the remaining issues surrounding the "Competition Trilogy."

Respectfully submitted,

BOULT, CUMMINGS, CONNERS & BERRY PLC

By: 
Jon E. Hastings, #10470
Attorneys for MCI Telecommunications
Corporation
Suite 1600, 414 Union Street
Nashville, Tennessee 37219
(615) 252-2306

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing has been served, via U. S. Mail, postage prepaid, to the following on this the 31st day of July, 1997:

Guy M. Hicks, Esq.
Attorney for BellSouth
333 Commerce Street, Suite 2101
Nashville, Tennessee 37201-3300

H. LaDon Baltimore, Esq.
Attorney for LCI International Telecom
Farrar & Bates, L.L.P.
211 Seventh Avenue North
Suite 320
Nashville, Tennessee 37219-1823

T. G. Pappas, Esq.
Coalition of Small LEC
Bass, Berry & Sims
2700 First American Center
313 Deaderick Street
Nashville, Tennessee 37238-2700

Carolyn Tatum Roddy, Esq.
Attorney for Sprint
Sprint Communications Co., L.P.
3100 Cumberland Circle - N0802
Atlanta, Georgia 30339

Dana Shaffer, Esq.
Attorney for NextLink
105 Molloy Street, Suite 300
Nashville, Tennessee 37201

Richard M. Tettlebaum, Esq.
Citizens Telecom
Suite 500
1400 16th Street, N.W.
Washington, D.C. 20036

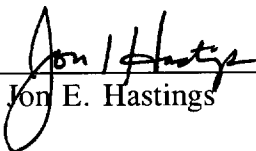
Henry Walker, Esq.
Attorney for American Communications
Services, Inc.
Boult, Cummings, Connors & Berry PLC
P.O. Box 198062
Nashville, Tennessee 37219

Charles B. Welch, Jr., Esq.
Attorney for Time Warner, Inc.
Farris, Mathews, Gilman, Branam & Hellen
511 Union Street, Suite 2400
Nashville, Tennessee 37219

L. Vincent Williams, Esq.
Office of the Consumer Advocate
Cordell Hull Building, 2nd Floor
426 Fifth Avenue North
Nashville, Tennessee 37243-0500

James B. Wright, Esq.
United Telephone-Southeast, Inc.
14111 Capital Boulevard
Wake Forest, NC 27587-5900

Val Sanford, Esq.
Attorney for AT&T
Gullett, Sanford, Robinson & Martin, PLLC
230 Fourth Avenue, North
3rd Floor
Post Office Box 198888
Nashville, Tennessee 37219-8888



Jon E. Hastings